

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2975 – SB 3377

February 6, 2012

SUMMARY OF BILL: Prohibits the erection or maintenance of outdoor advertising that promotes publicly-owned golf courses within the right-of-way and visible from the main traveled way of the interstate or primary highway systems of the state. Exempts from state and local sales tax the qualified purchase, lease, or use of certain golf carts, appliances, trailers, chemicals, systems for weed control and irrigation, replacement parts, fuel, lawn care products, containers, electricity, natural gas and liquefied gas, coal, wood and wood products, when purchased, leased, or used by a qualified golf course operator. Defines “qualified golf course operator” to mean an owner or lessee of real property from which \$1,000 or more in sales of services or products related to golf were made during the year, a person who is in the business of providing golfing facilities to the public for a fee, and a person that satisfactorily establishes for the Commissioner of Revenue that they are actively engaged in the business of operating golf course. Requires golf course operators to submit an exemption application to the Department of Revenue (DOR). Requires the Commissioner of Revenue to issue exemption certificates, valid for a period of four years, to qualified golf course operators.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$486,000

Decrease Local Revenue - \$205,300

Assumptions:

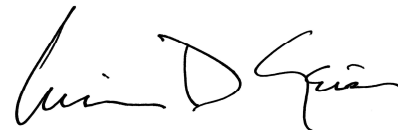
- The number of outdoor advertisings promoting publicly-owned golf courses within the right-of-way of interstates or primary highways is considered to be not significant. Removal of such outdoor advertising can be removed by Department of Transportation in the normal course of highway maintenance. As a result, any fiscal impact associated with sign removal will be not significant.
- According to DOR, and based on 2007 U.S. Census Bureau data, Tennessee had 214 establishments in the industrial classification of golf courses and country clubs.
- DOR indicates, based on 2002 U.S. Census data, that approximately 71.8 percent (or 154) do not have tax-exempt status.
- According to a 2010 report from the American Society of Golf Course Architects, maintenance costs for golf courses range from \$250,000 to \$650,000 each year.

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- The average maintenance cost for Tennessee golf courses is estimated to be \$300,000 per year.
- Thirty-five percent of the average maintenance cost for Tennessee golf courses (\$105,000) is considered non-labor costs.
- Seventy-five percent of non-labor maintenance costs for Tennessee golf courses (\$78,750) are assumed to be sales-taxable under current law.
- Sixty percent of sales-taxable non-labor maintenance costs for Tennessee golf courses (\$47,250) are assumed to be for items that would be eligible for the exemption proposed by this bill.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The decrease in state sales tax revenue is estimated to be \$509,355 ($154 \times \$47,250 \times 7.0\%$); the decrease in local option sales tax revenue is estimated to be \$181,913 ($154 \times \$47,250 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The local share of state-shared sales tax revenue is estimated to be \$23,392 ($\$509,355 \times 4.5925\%$).
- All above estimates are assumed to remain constant in subsequent years.
- The net recurring decrease in state revenue is estimated to be \$485,963 ($\$509,355 - \$23,392$).
- The total recurring decrease in local revenue is estimated to be \$205,305 ($\$181,913 + \$23,392$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc